

BANK OF SOUTH SUDAN
RESEARCH AND STATISTICS DEPARTMENT-ECONOMIC BULLETIN

DEPOSITORY CORPORATIONS AND CENTRAL BANK SURVEY
MAY 2016

The Monetary Survey for May 2016 (consolidated Depository Corporations and the Bank of South Sudan Survey) has indicated money supply (or M2) increased from SSP 8.6 billion to SSP 26.5 billion in May 2015 to May 2016. This increase of M2 is in response to the mounting net claim on Central Government as economic crisis continue (SSP depreciation and high inflation in the country). A net foreign asset has dropped from SSP 0.1 billion in May 2015 to negative SSP 29.6 billion in May 2016 as the liabilities to nonresidents largely exceeded the claims on nonresidents since the SSP was allowed to float in mid-December 2015.

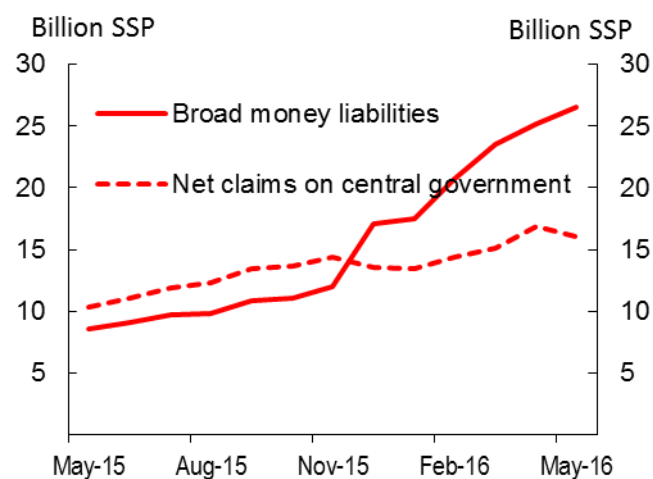
Over one year period (May 2015 to May 2016), net claims on the Central Government (NCG) have increased from SSP 10.4 billion to SSP 16.1 billion as shown in chart 1 below. We expect the NCG to continue increasing as Government of National Unity expenditures will increase during the peace implementation process.

Government increases in borrowing is a result of the low oil production (which comprises of more than 98 per cent of Government revenue) due to the crisis in the oil producing regions, and the decline in oil prices at the international market since 2014.

Growth of M2 has been particularly strong in transferable deposits and moderate in other deposits and currency outside depository corporations (see Chart 2 below), which largely comprises Central Government Officials Salaries and other government expenses. This is consistent with the endless increase in Net Claims on the Central Government in Chart 1.

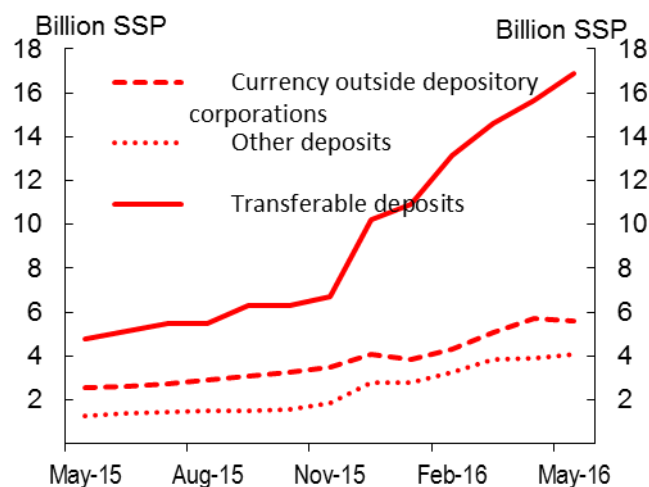
We believe the steady growth of broad money will further weaken the value of the South Sudanese Pound despite the fact that the Bank of South Sudan has adopted floating exchange rate which may push the inflation higher over the coming Months.

Chart 1: Claims on Central Government and Liabilities to Central Government



Source : Depository Corporation Survey

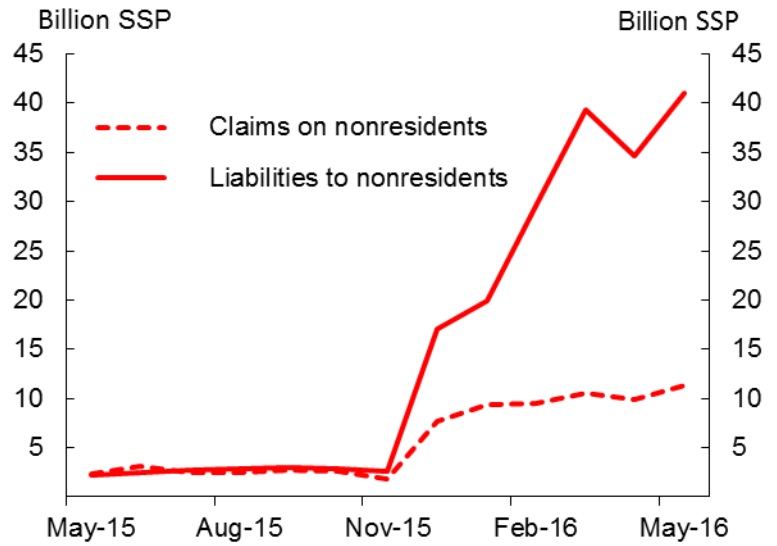
Chart 2: Components of Broad Money



Source : Depository Corporation Survey

Chart 3: Components of Net Foreign Assets

Net Foreign Assets (Chart 3) has decreased from SSP 0.1 billion in May 2015 to negative SSP 29.6 billion in May 2016 over one year period due to devaluation of SSP in mid-December 2015. Liabilities to nonresidents have increased from SSP 2.2 billion to SSP 41.0 billion over one year.



Source : Depository Corporation Survey

Martin Matueny
Analyst, Monetary & Financial Sector Unit
Tel. 092 737 5989

Atany Lopwonya
Analyst, Monetary & Financial Sector Unit
Tel. 095 592 5402

Akoi Moses Ngor
Head of Monetary Sector
Tel.095 542 7224

Kerbino Manyiel
Senior Analyst, Monetary Statistics Sector Unit
Tel. 092 398 9081